

Arizona Health Care Cost Containment System
Acute Care

A.R.S. § 36-2901

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	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 APPROVED
SPECIAL LINE ITEMS			
Traditional Medicaid Population			
Capitation	1,955,417,500	2,148,148,300	2,418,280,900
Reinsurance	96,120,200	134,202,200	129,621,800
Fee-For-Service	432,294,300	573,395,700	522,776,700
Medicare Premiums	91,754,200	96,275,300	104,550,000
Breast and Cervical Cancer	984,100	1,530,000	1,699,600
Ticket to Work	6,154,500	8,913,400	6,944,300
Dual Eligible Part D Copay Subsidy	2,602,100	1,029,700	0
Medicare Clawback Payments	26,734,600	28,844,600	31,925,600
Temporary Medical Coverage	9,922,000	3,247,200	0
Proposition 204 Services			
Proposition 204 - Capitation	1,122,958,800	1,373,997,200	2,146,078,300
Proposition 204 - Reinsurance	38,454,100	129,920,200	87,601,900
Proposition 204 - Fee-For-Service	163,979,900	243,375,100	230,551,400
Proposition 204 - Medicare Premiums	28,902,400	31,316,900	33,051,400
Proposition 204 - County Hold Harmless	0	4,825,600	4,825,600 ^{1/}
KidsCare Services			
KidsCare - Children	120,716,100	145,267,700	134,516,500
KidsCare - Parents	39,069,100	34,900,700	6,967,500
Payments to Hospitals			
Disproportionate Share Payments	4,202,300	30,350,000 ^{2/}	30,350,000 ^{3/}
Graduate Medical Education	0	40,709,300 ^{4/}	42,075,300
Critical Access Hospitals	1,698,800	1,700,000	1,700,000
Rural Hospital Reimbursement	12,158,100	12,158,100 ^{5/}	12,158,100
PROGRAM TOTAL	4,154,123,100	5,044,107,200	5,945,674,900 ^{6/7/}
FUND SOURCES			
General Fund	990,264,200	1,299,746,400	1,636,284,700 ^{8/}
<u>Other Appropriated Funds</u>			
Budget Neutrality Compliance Fund	7,026,800	0	0
Children's Health Insurance Program Fund	125,366,400	138,835,300	109,330,200
Temporary Medical Coverage Fund	1,975,400	3,247,200	0
TPTF Emergency Health Services Account	14,579,500	23,331,800	23,331,800
TTHCF Medically Needy Account	60,885,700	53,738,100	53,738,100
SUBTOTAL - Other Appropriated Funds	209,833,800	219,152,400	186,400,100
SUBTOTAL - Appropriated Funds	1,200,098,000	1,518,898,800	1,822,684,800
<u>Expenditure Authority Funds</u>			
County Funds	52,852,000	52,229,200	51,711,900
Third Party Collections Fund	72,800	194,700	194,700
Title XIX Funds	2,727,699,000	3,305,507,600	3,903,806,600 ^{8/}
Tobacco Settlement Fund	115,627,300	118,280,200	118,280,200
TPTF Proposition 204 Protection Account	57,774,000	48,996,700	48,996,700
SUBTOTAL - Expenditure Authority Funds	2,954,025,100	3,525,208,400	4,122,990,100
SUBTOTAL - Appropriated/Expenditure Authority Funds	4,154,123,100	5,044,107,200	5,945,674,900
Other Non-Appropriated Funds	24,229,200	22,888,600	24,637,600
Federal Funds	2,738,600	99,900	99,900
TOTAL - ALL SOURCES	4,181,090,900	5,067,095,700	5,970,412,400

COST CENTER DESCRIPTION – The AHCCCS Acute Care program is the medical services component of Arizona's Medicaid Demonstration Project. The program is based on prepaid monthly capitation payments to contracted providers for the full range of authorized medical services. The program follows a health maintenance organization (HMO) model in which capitated providers accept a predetermined rate and are responsible for managing patient utilization and cost through a system of prior authorization and utilization review, coordinated by a primary care physician or practitioner. This program also includes funding for the Proposition 204 AHCCCS expansion, approved by voters in November 2000 and serving adults up to 100% of the Federal Poverty Level (FPL), as well as the KidsCare program, which serves children up to 200% of FPL.

PERFORMANCE MEASURES	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2010 Approved
• % of AHCCCS children receiving well child visits in the first 15 months of life (EPSDT)	58	57	57	60
• % of AHCCCS children's access to primary care provider	78	76	77	85
• % of AHCCCS women receiving annual cervical screening	55	57	60	60
• Member satisfaction as measured by percentage of enrollees that choose to change health plans	2.0	3.5	2.0	2.0

Overview

The Acute Care cost center contains funding for services provided to AHCCCS members eligible for either the Title XIX or Title XXI programs. The Title XIX program includes the Traditional Medicaid population and the Proposition 204 expansion population. The Title XXI program represents the KidsCare program. *Chart 1* shows the income levels defining eligibility in these 3 distinct populations and *Table 1* shows the forecasted populations for these groups.

The largest of the 3 populations is the Traditional Medicaid population. This population represents the AHCCCS Title XIX population prior to the passage of Proposition 204, which expanded Title XIX eligibility up to 100% of the Federal Poverty Level (FPL). The Proposition 204 program also includes the "spend-down" population, which was previously included in the state-only Medically Needy/Medically Indigent (MN/MI) program. Finally, the KidsCare program, which receives

Federal Title XXI funding, provides coverage for children and their parents up to 200% FPL, who are not covered by the regular Title XIX program.

As of June 1, 2009, AHCCCS programs served 1,253,486 clients.

The following issues are reflected in several different line items:

Title XIX Caseload and Capitation Rate Growth

The budget includes caseload growth for the Traditional Medicaid and Proposition 204 populations in the Acute Care cost center. AHCCCS Title XIX enrollment growth for these 2 populations is assumed to grow by 11.8% from June 2009 to June 2010.

In comparison to caseload growth rates which vary by population, capitation rate adjustments are assumed to be 1.5% above FY 2009 across all capitated programs. Yearly capitation rate increases have averaged 6.7% over

- 1/ Of the \$4,825,600 appropriated for the Proposition 204 County Hold Harmless line item, \$234,200 is allocated to Graham County, \$3,817,800 to Pima County, \$234,400 to Greenlee County, \$159,700 to La Paz County, \$214,800 to Santa Cruz County and \$164,700 to Yavapai County to offset a net loss in revenue due to the implementation of Proposition 204, and shall be used for indigent health care costs. (General Appropriation Act footnote)
- 2/ Laws 2009, 1st Special Session, Chapter 4 eliminated the FY 2009 appropriation for Disproportionate Share Payments. Laws 2009, 1st Regular Session, Chapter 1 subsequently restored the appropriation.
- 3/ The \$30,350,000 appropriation for Disproportionate Share Payments for FY 2010 made pursuant to A.R.S. § 36-2903.01P includes \$4,202,300 for the Maricopa County Healthcare District and \$26,147,700 for private qualifying disproportionate share hospitals. (General Appropriation Act footnote)
- 4/ Laws 2009, 1st Special Session, Chapter 1 reduced the FY 2009 appropriation for Graduate Medical Education by \$7,000,000 from the General Fund and \$13,517,000 from Federal Title XIX Expenditure Authority. Laws 2009, 1st Regular Session, Chapter 1 subsequently restored the funding by \$5,559,200 from the General Fund and \$20,443,800 from Federal Title XIX Expenditure Authority.
- 5/ Although Laws 2009, 1st Special Session, Chapter 1 did not explicitly reduce the FY 2009 funding for Rural Hospital Reimbursements, the agency reduced the appropriation as part of its lump sum cut. Laws 2009, 1st Regular Session, Chapter 1 subsequently restored \$2,500,800 from the General Fund and \$9,657,300 in Federal Title XIX Expenditure Authority to this line item.
- 6/ See agency summary for agencywide lump sum reductions and fund transfers.
- 7/ General Appropriation Act funds are appropriated by Special Line Items by Program. As appropriated by Laws 2009, 1st Regular Session, Chapter 12.
- 8/ Reflects the regular FMAP rate. See Summary for additional information.

Table 1**Forecasted Member Months^{1/}**

Population	June 2009 Estimated	June 2009 Actuals	June 2010	% Change ^{2/}
<u>Title XIX</u>				
Traditional Medicaid	727,140	735,901	794,773	8.0%
Proposition 204	<u>263,412</u>	<u>272,257</u>	<u>340,322</u>	<u>25.0%</u>
Subtotal	990,552	1,008,158	1,135,095	12.6%
Fee-For-Service/Other	<u>158,825</u>	<u>158,825</u>	<u>170,102</u>	<u>7.1%</u>
Subtotal – Title XIX	1,149,377	1,166,983	1,305,197	11.8%
<u>Title XXI</u>				
KidsCare - Children	53,424	53,405	58,211	9.0%
KidsCare - Parents	<u>9,064</u>	<u>9,223</u>	<u>0</u>	<u>--</u>
Total Acute Care	1,211,865	1,229,611	1,363,408	10.9%
Long-Term Care	<u>24,947</u>	<u>23,875</u>	<u>24,739</u>	<u>3.6%</u>
Total AHCCCS	1,236,812 ^{3/}	1,253,486	1,388,147	10.7%

^{1/} The figures represent point-in-time estimates, while figures in Tables 3 and 4 display estimated averages for FY 2010. The Fee-For-Service/Other population includes the Dual Eligible (Medicare Premiums), Ticket to Work, and Breast and Cervical Cancer populations. Further discussion of the Long-Term Care population can be found in the ALTCS section.

^{2/} Percentage change is over FY 2009 actuals,

^{3/} Represents budgeted forecast.

the last 5 years, with the lowest increase of 5.7% coming in FY 2007 and the high of 8.7% coming in FY 2009.

Capitation rate adjustments are smaller than in recent years due to a number of provisions included in the Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2009, 3rd Special Session, Chapter 10). *(Please see the AHCCCS Summary section for additional information on capitation rate adjustments.)*

In total, the amount includes \$973,062,100 in new Title XIX and Title XXI funding for caseload and capitation rate growth. Of this amount, \$364,126,500 is from the General Fund and \$608,935,600 is in Federal and County Expenditure Authority. These numbers also incorporate growth in fee-for-service and reinsurance as discussed later.

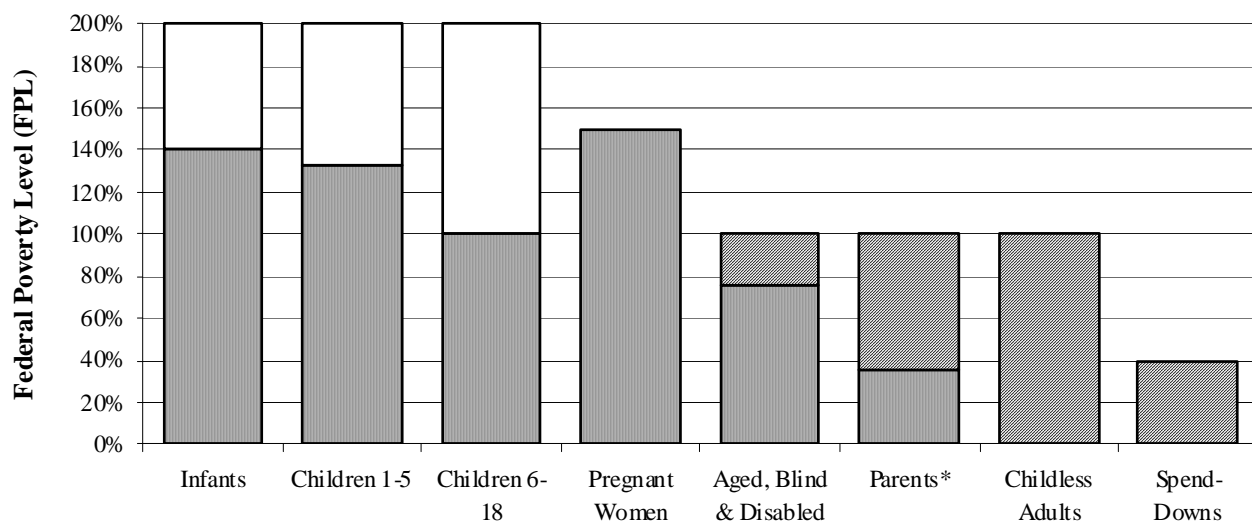
In addition to the funding increases discussed above, the budget also includes savings as a result of a revision to the outlier payment methodology. The budget includes \$(10,752,900) in General Fund savings due to the final year of a 3-year phase-in of a revision to the outlier payment methodology. *(Please see the Traditional and Proposition 204 Capitation, Reinsurance, and Fee-For-Service Special Line Items for the outlier methodology revision savings.)*

The FY 2010 forecast is grown off of actual FY 2009 caseloads which are higher than budgeted FY 2009 caseloads. In the narrative descriptions below, FY 2010 funding increases are compared to that program's actual FY 2009 level.

Tobacco Taxes and Settlement Monies

As a result of declining tobacco tax revenues, the budget provides an increase of \$16,540,700 from the General Fund and corresponding decreases in the various tobacco tax accounts in FY 2009 and FY 2010. *(Please see the AHCCCS Summary section for additional information on tobacco tax revenues.)*

The budget also includes a decrease of \$(4,276,100) from the General Fund and a corresponding increase to the

Chart 1**AHCCCS Eligibility**

KidsCare Parents, which covers parents up to 200% FPL, is eliminated beginning October 1, 2009.

■ Traditional

■ Proposition 204

□ KidsCare

Tobacco Settlement Fund in FY 2009 and FY 2010 based on estimates from the Attorney General's office. Proposition 204 requires that all tobacco settlement dollars be used to pay for Proposition 204 populations.

Fee-For-Service and Reinsurance

Fee-For-Service categories were grown at 5.8% and 21% for Traditional and Proposition 204 populations, respectively, in FY 2010. Reinsurance for both categories is expected to continue to decline in FY 2010. Beginning in Contract Year 2009, one of the largest health plans elected to increase its deductible from \$20,000 to \$35,000. This change is expected to lead to lower costs for reinsurance in FY 2009 and FY 2010, but was offset by higher capitation rates in FY 2009. Due to this change, reinsurance is expected to decline by (3.0)% for the traditional population and 3.1% for Proposition 204.

Federal Match Rate Change

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to the Title XIX (approximately a 2:1 match) and Title XXI (approximately a 3:1 match) KidsCare programs. These rates are set on a state-by-state basis and are revised each year.

In FY 2010, both the regular Title XIX FMAP (0.12% decline) and the Title XXI FMAP (0.1% decline) are decreasing, effective October 1, 2010. The SFY 2010 FMAPs are 65.76% for Title XIX and 76.03% for Title XXI. These decreases will result in General Fund cost increases in federally matched programs of \$5,591,800 and are included in the growth numbers presented below.

In addition to this change, the 2009 American Recovery and Reinvestment Act increased the federal match for Title XIX populations from October 1, 2008 until December 31, 2010 as long as states meet certain conditions. This enhanced FMAP provides an approximately 3:1 match. The budget includes the enhanced FMAP in a separate section of the General Appropriation Act to emphasize the temporary nature of the increase. All costs shown in the Acute Care Cost Center reflect the regular FMAP. *(Please see the AHCCCS Summary section for additional information on the American Recovery and Reinvestment Act.)*

Traditional Medicaid Population

The following Traditional Medicaid line items fund these populations (*see Chart 1*):

- Children less than 1, up to 140% of the FPL
- Pregnant women up to 150% FPL and children aged 1-5 up to 133% FPL
- Children aged 6-18, up to 100% FPL
- Aged, blind, and disabled adults, up to 75% FPL
- Parents, up to 36% FPL

- Women diagnosed through the Breast and Cervical Cancer Screening Program, up to 250% FPL
- Individuals aged 16-64 receiving Supplemental Security Income, up to 250% FPL

These line items exclude the Proposition 204 and KidsCare populations.

Capitation

The budget includes \$2,418,280,900 for Capitation expenditures for the Traditional population in FY 2010. This amount consists of:

	FY 2010
General Fund	\$722,112,800
County Funds	51,711,900
TTHCF Medically Needy Account	53,738,100
Third Party Collections	194,700
Federal Title XIX Expenditure Authority	1,590,523,400

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$285,421,800 in FY 2010 for caseload and capitation rate growth for the Traditional Title XIX population. This amount consists of:

General Fund	99,750,000
Federal Title XIX Expenditure Authority	185,671,800

The budget includes enrollment growth of 8.0% from June 2009 to June 2010. This would result in, approximately 767,415 member years being served in FY 2010. Additionally, the amount assumes capitation rate increases of 1.5% above FY 2009. The FY 2009 supplemental added \$13,353,200 from the General Fund and \$24,311,600 from Federal Title XIX Expenditure Authority for additional caseload growth and inflation in FY 2009. The FY 2009 supplemental is incorporated into the FY 2009 figures in the table above.

Outlier Methodology

The budget includes a decrease of \$(15,289,200) in FY 2010 due to a revision to the outlier payment methodology. This amount consists of:

General Fund	(5,235,800)
Federal Title XIX Expenditure Authority	(10,053,400)

Laws 2007, Chapter 263 revised the outlier methodology by utilizing the most recent statewide urban and statewide rural average cost-to-charge ratios (CCRs) published by the federal Centers for Medicare and Medicaid Services (CMS). These CCRs are to be updated annually to reflect any changes in the figures published by CMS. Laws 2007, Chapter 263 also required that AHCCCS phase-in the new CCRs over a 3-year time period and that the phase-in be completed by October 1, 2010. In total, the revised

Table 2

County Contributions for Acute Care and Administration

County	FY 2009			FY 2010		
	Acute	DUC	BNCF	Acute	DUC	BNCF
Apache	\$ 268,800	\$ 87,300	\$ 93,600	\$ 268,800	\$ 87,300	\$ 98,600
Cochise	2,214,800	162,700	174,700	2,214,800	162,700	184,100
Coconino	742,900	160,500	172,300	742,900	160,500	181,500
Gila	1,413,200	65,900	70,800	1,413,200	65,900	74,600
Graham	536,200	46,800	50,300	536,200	46,800	53,000
Greenlee	190,700	12,000	12,900	190,700	12,000	13,600
La Paz	212,100	24,900	26,800	212,100	24,900	28,200
Maricopa	21,552,700	0	0	21,035,400	0	0
Mohave	1,237,700	187,400	201,100	1,237,700	187,400	211,900
Navajo	310,800	122,800	131,800	310,800	122,800	138,900
Pima	14,951,800	1,115,900	1,198,100	14,951,800	1,115,900	1,262,400
Pinal	2,715,600	218,300	234,400	2,715,600	218,300	247,000
Santa Cruz	482,800	51,600	55,400	482,800	51,600	58,400
Yavapai	1,427,800	206,200	221,400	1,427,800	206,200	233,300
Yuma	1,325,100	183,900	197,400	1,325,100	183,900	208,000
Subtotal	\$49,583,000	\$2,646,200	\$ 2,841,000	\$49,065,700	\$2,646,200	\$ 2,993,500
Acute Care Total			\$52,229,200			\$51,711,900
Administration Total			2,841,000			2,993,500
Total			\$55,070,200			\$54,705,400

methodology will result in General Fund savings of \$(10,752,900) during the third year of the 3-year phase-in.

Maricopa Deflator

The budget includes an increase of \$517,300 from the General Fund and a corresponding decrease in County Funds in FY 2010 for a decrease in County Acute Care contributions from Maricopa County. (See Table 2.)

A.R.S. § 11-292 includes a Gross Domestic Product (GDP) price deflator adjustment for Maricopa County's contribution to Acute Care costs. In accordance with this requirement, JLBC Staff used inflationary growth of 2.3%, as measured by the November estimate of the calendar year 2008 GDP price deflator. This decreases the county contribution for Maricopa County by \$(517,300). This adjustment was part of the state's contribution to Maricopa County costs in exchange for the county taking responsibility for the adult probation program. The reduction in county contribution is offset by an increase in the General Fund equal to the amount of the contribution reduction.

Continue Tobacco Tax Backfill

The budget continues an increase of \$5,102,700 from the General Fund and a corresponding decrease of \$(5,102,700) from the TTHCF Medically Needy Account originally approved in the midyear budget revisions. The General Fund amount will help offset declining tobacco tax revenues.

Background – The Capitation line includes monthly payments made to AHCCCS health plans for the cost of care provided to enrolled members. Contracts are awarded to health plans for a 5-year period upon the completion of

a competitive bidding process in which the health plans respond to a Request for Proposal from AHCCCS. Health plans bid by AHCCCS rate code, meaning that different rates are paid for different groups. Table 3 details the projected capitation rates and enrollment by AHCCCS rate code for FY 2010. The 5-year contracts were effective October 2008.

In general, capitation rates are based on an actuarial assessment, by each of the AHCCCS rate codes, of the medical services utilization and costs incurred per AHCCCS member per month.

Table 3

Traditional Medicaid

Federally-Eligible Rate Codes	FY 2010 Member Years ^{1/}	FY 2010 Capitation Rates ^{2/}
TANF < 1	54,311	522.99
TANF 1-13	392,246	114.32
TANF 14-44 Female	140,564	246.83
TANF 14-44 Male	64,491	147.73
TANF 45+	12,803	411.79
SSI w/ Medicare	43,193	159.29
SSI w/o Medicare	55,578	753.34
Family Planning	4,229	19.32
Total	767,415	
Deliveries ^{3/}	35,138	6,734.55

^{1/} Member years are calculated as projected regular member months divided by 12 and do not necessarily indicate actual number of clients enrolled.

^{2/} Capitation rates are set on a Contract Year (CY) basis, which is from October 1 through September 30. For FY 2010, the rates reflect 1 quarter at the CY 2009 level and 3 quarters at the CY 2010 level.

^{3/} This is the projection of actual birth deliveries to be made by enrollees in AHCCCS health plans.

Reinsurance

The budget includes \$129,621,800 for Reinsurance expenditures for the Traditional population in FY 2010. This amount consists of:

General Fund	44,389,000
Federal Title XIX Expenditure Authority	85,232,800

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$2,124,600 in FY 2010 for caseload and inflation increases. This amount consists of:

General Fund	877,900
Federal Title XIX Expenditure Authority	1,246,700

This amount assumes a decrease of (3)% below actual FY 2009 caseloads. This amount includes monies for enrollment growth and medical inflation. Although caseloads are expected to decline from June 2009 to June 2010, the FY 2010 budget includes an increase in expenditures due to FY 2009 caseloads being above the FY 2009 appropriation.

Outlier Methodology

The budget includes a decrease of \$(6,705,000) in FY 2010 due to a revision to the outlier payment methodology. This amount consists of:

General Fund	(2,296,100)
Federal Title XIX Expenditure Authority	(4,408,900)

Background – The Reinsurance line item is a stop-loss program which represents payments made to health plans for patients with unusually high costs. AHCCCS provides both regular and catastrophic reinsurance coverage. For regular reinsurance coverage, the health plan is responsible for paying all costs until an annual deductible has been met. After the deductible has been met, AHCCCS will pay 75% of the cost of service until it reaches \$650,000. After this level, AHCCCS will pay 100% of the cost. Catastrophic reinsurance coverage is available for patients that have certain, very costly medical conditions. For patients with these specific health conditions, AHCCCS will pay 85% of the cost of service. After the \$650,000 deductible has been met, AHCCCS will pay 100% of the cost.

Fee-For-Service

The budget includes \$522,776,700 for Fee-For-Service expenditures for the Traditional population in FY 2010. This amount consists of:

General Fund	105,860,300
Federal Title XIX Expenditure Authority	416,916,400

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(48,135,500) in FY 2010 for caseload and inflation. This amount consists of:

General Fund	(1,841,400)
Federal Title XIX Expenditure Authority	(46,294,100)

This adjustment includes an increase of 5.8% above actual FY 2009 caseloads. These increases include monies for enrollment growth and medical inflation.

Outlier Methodology

The budget includes a decrease of \$(2,483,500) in FY 2010 due to a revision to the outlier payment methodology. This amount consists of:

General Fund	(850,500)
Federal Title XIX Expenditure Authority	(1,633,000)

Background – The Fee-For-Service line item is for payments made by AHCCCS directly to health care providers on behalf of members not covered under the capitated portion of the AHCCCS program. There are 4 primary components of the Fee-For-Service program: 1) federally-mandated services for Native Americans living on-reservations; 2) reimbursements to Federally Qualified Health Centers (FQHC) in rural areas for payments above negotiated rates as required by the Medicaid Benefits Improvements and Protection Act of 2000; 3) temporary Fee-For-Service coverage for those who leave AHCCCS before enrolling in a capitated plan; and, 4) federally-mandated emergency services for unauthorized and qualified immigrants. The federal government shares in the cost of care for categorically linked unauthorized immigrants. “Categorically Linked” individuals are those who would be eligible for the Traditional Medicaid program (as opposed to Proposition 204 or KidsCare) if not for their citizenship status.

Medicare Premiums

The budget includes \$104,550,000 for Medicare Premium expenditures for the Traditional Medicaid population in FY 2010. This amount consists of:

General Fund	31,307,300
Federal Title XIX Expenditure Authority	73,242,700

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$8,274,700 in FY 2010 for caseload growth and a federal premium increase. This amount consists of:

General Fund	2,284,600
Federal Title XIX Expenditure Authority	5,990,100

This amount provides an increase of 4.8% above actual FY 2009 caseload levels.

This line item provides funding for the purchase of Medicare Part B (supplemental medical insurance) on behalf of those eligible for Medicaid and Part A (hospital insurance) coverage. Purchasing supplemental coverage reduces state expenditures since the federal Medicare program absorbs a portion of the costs. In addition, the line item includes the costs of payment of Part A premium costs for certain disabled workers. The line item also includes funding for low-income Qualified Medicare Beneficiaries. Finally, the line item includes funding for the 100% federally funded Medicare Part B buy-in program.

Breast and Cervical Cancer

The budget includes \$1,699,600 for Breast and Cervical Cancer in FY 2010. This amount consists of:

General Fund	407,400
Federal Title XIX Expenditure Authority	1,292,200

These amounts fund the following adjustments:

Formula Growth

The budget provides an increase of \$169,600 in FY 2010 for caseload growth and inflation. This amount consists of:

General Fund	41,900
Federal Title XIX Expenditure Authority	127,700

This amount provides an increase of 15.0% above FY 2009 actual caseload levels.

The Breast and Cervical Cancer program provides treatment to women who have been diagnosed with breast and/or cervical cancer through the Well-Woman Healthcheck Program administered by the Department of Health Services (DHS). This program serves women with incomes between 100-250% FPL. Enrollment as of July 1, 2009 was 135 individuals.

Ticket to Work

The budget includes \$6,944,300 for Ticket to Work in FY 2010. This amount consists of:

General Fund	2,378,100
Federal Title XIX Expenditure Authority	4,566,200

These amounts fund the following adjustments:

Formula Growth

The budget provides a decrease of \$(1,969,100) in FY 2010 for caseload growth and inflation. This amount consists of:

General Fund	(663,400)
Federal Title XIX Expenditure Authority	(1,305,700)

This adjustment includes an increase of 10.0% above actual caseloads for FY 2009. These increases include monies for enrollment growth and medical inflation.

The Ticket to Work program is designed to improve access to employment training and placement for individuals with disabilities who want to work. This program allows individuals receiving Supplemental Security Income (SSI) to work without losing their AHCCCS health coverage. This program serves individuals who meet SSI eligibility criteria, who are aged 16-64, and who have earned income below 250% FPL. As of July 1, 2009, approximately 1,086 members were enrolled in this program.

The FY 2010 budget estimates collections of \$22,100 in premiums, which are used to offset the costs of services. Clients may be assessed premiums of \$0 to \$35 monthly, based on income.

Dual Eligible Part D Copay Subsidy

The budget includes no funding for Dual Eligible Part D Copay Subsidy in FY 2010. This amount includes the following adjustments:

Eliminate Part D Copay Subsidy

The budget includes a decrease of \$(1,029,700) from the General Fund in FY 2010 to eliminate the Dual Eligible Part D Copay Subsidy. Although the midyear FY 2009 revisions did not specifically eliminate this benefit, AHCCCS eliminated this benefit as of February 28, 2009 as part of their midyear lump sum reduction. The FY 2010 budget continues this policy. Although the agency has only been appropriated a total of \$1,500,000 for Part D Copays between the Long Term Care and Acute Care Cost Centers, the agency has been internally reallocating additional monies to the Part D Copay Subsidy line items. AHCCCS estimates that the elimination of these 2 line items will provide a total savings of \$(3,427,400) in FY 2010. *(Please see the Long Term Care Cost Center for additional information.)*

The line item is used to pay the prescription drug copayments of low income individuals qualifying for both Medicare and Medicaid, known as "dual eligibles." Prior to the federal government taking over prescription drug costs from the state for dual eligibles on January 1, 2006, these individuals did not pay for their prescriptions. As part of the benefit, the copayment ranges from \$1.05 to

\$6.01, depending on the class of the drug as well as the recipient's income.

Medicare Clawback Payments

The budget includes \$31,925,600 from the General Fund for Medicare Clawback Payments in FY 2010. This amount funds the following adjustments:

Formula Growth

The budget includes an increase of \$3,081,000 from the General Fund in FY 2010 for caseload and inflation increases.

As part of the Medicare Modernization Act (MMA) effective January 1, 2006, AHCCCS is not required to pay for prescription drug costs for members that are also eligible for Medicare. Instead, AHCCCS is required to make "Clawback" payments to Medicare based on 85% of the estimated prescription drug cost of this population in FY 2009. The state's share of 85% declines annually by 1.7% and the Clawback cost per member is annually increased based on national health trend information.

Temporary Medical Coverage

The budget includes no funding for Temporary Medical Coverage in FY 2010. This amount funds the following adjustments:

Program Elimination

The budget includes a decrease of \$(3,247,200) from the Temporary Medical Coverage Fund in FY 2010 to eliminate funding for this program. The FY 2009 budget suspended the Temporary Medical Coverage program, but appropriated \$3,247,200 from the Temporary Medical Coverage Fund to pay for reconciliation obligations incurred for claims with dates of services before July 1, 2008. The Health and Welfare BRB (Laws 2009, 3rd Special Session, Chapter 10) permanently eliminated the program.

The purpose of the program is to provide temporary medical coverage for persons who have previously been enrolled in AHCCCS who are now receiving federal disability insurance (SSDI) benefits and are not yet eligible for Medicare benefits. SSDI benefits would normally raise an individual's income above eligibility limits for AHCCCS. This program allows a person to continue to receive health benefits until those benefits are provided through Medicare. Persons receiving SSDI benefits are eligible for Medicare benefits after a period of 24 months. This program went into effect October 1, 2006 and was suspended beginning on July 1, 2008.

Proposition 204 Services

Proposition 204 expanded the regular AHCCCS program to 100% FPL. The Proposition 204 program serves individuals with incomes that exceed the income limits for the Traditional population, but are below 100% FPL. Services provided to this population mirror the services provided in the regular AHCCCS program.

Proposition 204 - Capitation

The budget includes \$2,146,078,300 for Capitation expenditures for the Proposition 204 population in FY 2010. This amount consists of:

General Fund	544,205,400
Tobacco Settlement Fund	118,280,200
TPTF Proposition 204 Protection Account	48,996,700
Emergency Health Services Account	23,331,800
Federal Title XIX Expenditure Authority	1,411,264,200

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$775,992,100 in FY 2010 for caseload growth and capitation and inflation adjustments. This amount consists of:

General Fund	265,066,500
Federal Title XIX Expenditure Authority	510,925,600

The FY 2009 adjustment represents Proposition 204 enrollment growth of 25.0% from June 2009 to June 2010. This would result in, on average, approximately 307,870 member years being served in FY 2010. Additionally, the amount assumes capitation rate increases of 1.5% above FY 2009. The FY 2009 supplemental added \$59,756,100 from the General Fund and \$108,795,500 from Federal Title XIX Expenditure Authority for additional caseload growth and inflation in FY 2009. The FY 2009 supplemental is incorporated into the FY 2009 figures in the table above.

Outlier Methodology

The budget includes a decrease of \$(3,911,000) in FY 2010 due to a revision to the outlier payment methodology. This amount consists of:

General Fund	(1,339,300)
Federal Title XIX Expenditure Authority	(2,571,700)

Increased Tobacco Settlement Monies

The budget continues a decrease of \$(4,276,100) from the General Fund and a corresponding increase of \$4,276,100 from the Tobacco Settlement Fund in FY 2010 to offset increased tobacco settlement payments as part of the FY 2009 midyear revisions.

The tobacco settlement monies are payments received as part of the Tobacco Master Settlement Agreement (MSA). In exchange for not suing certain tobacco companies, Arizona receives an annual payment from tobacco companies.

Tobacco Tax Shortfall

The budget continues an increase of \$11,438,000 from the General Fund and a corresponding decrease of \$(11,438,000) in FY 2010 to offset declining tobacco tax revenues. These adjustments began as part of the FY 2009 midyear budget revisions. These amounts consist of:

General Fund	11,438,000
TPTF Proposition 204 Protection Account	(5,007,900)
TTHCF Medically Needy Account	(4,045,400)
Emergency Health Services Account	(2,384,700)

(Please see the AHCCCS Summary section for additional information on the tobacco tax shortfall.)

Table 4 details the capitation rates and enrollment for the Proposition 204 program by AHCCCS rate code.

Table 4		
Proposition 204		
Federally-Eligible Rate Codes ^{1/}	FY 2010 Member Years ^{2/}	FY 2010 Capitation Rates ^{3/}
TANF	108,897	238.31
SSI	25,374	213.82
Prop 204 Conversions ^{4/}	49,721	499.85
Prop 204 Medically Eligible ^{5/}	5,783	1,032.85
Prop 204 Newly Eligible ^{6/}	118,094	499.85
Total	307,869	
Deliveries ^{7/}	2,064	6,734.55

^{1/} Hospital "kick" supplemental payments were eliminated as of October 1, 2008.
^{2/} Member years are calculated as projected regular member months divided by 12 and do not necessarily indicate actual clients enrolled.
^{3/} Capitation rates are set on a Contract Year (CY) basis, which is from October 1 through September 30. For FY 2010, the rates reflect 1 quarter at the CY 2009 level and 3 quarters at the CY 2010 level. These rates represent the average rates for the population listed.
^{4/} Represents the population formerly known as the Medically Indigent who received services under the former 100% state funded MN/MI program. These enrollees are from 0 - 40% FPL.
^{5/} Represents the population formerly known as the Medically Needy portion of the old MN/MI program, also referred to as the "spend-down" population. These enrollees are from 0 - 40% FPL.
^{6/} Represents enrollees that mirror the former Medically Indigent population, except their income ranges from 40 - 100% FPL.
^{7/} This is the projection of actual birth deliveries to be made by Proposition 204 enrollees in AHCCCS health plans.

Proposition 204 - Reinsurance

The budget includes \$87,601,900 for the Proposition 204 - Reinsurance line item in FY 2010. This amount consists of:

General Fund	29,780,500
Federal Title XIX Expenditure Authority	57,821,400

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(40,331,500) in FY 2010 for caseload growth and inflation. This amount consists of:

General Fund	(13,875,300)
Federal Title XIX Expenditure Authority	(26,456,200)

This amount assumes an increase of 3.1% above actual caseloads for FY 2009. This adjustment includes monies for enrollment growth and medical inflation. Monies for these reinsurance payments are paid to health plans for catastrophic cases in the Proposition 204 population.

Outlier Methodology

The budget includes a decrease of \$(1,986,800) in FY 2010 due to a revision to the outlier payment methodology in FY 2010. This amount consists of:

General Fund	(680,400)
Federal Title XIX Expenditure Authority	(1,306,400)

Proposition 204 - Fee for Service

The budget includes \$230,551,400 for Fee-For-Service expenditures for the Proposition 204 population in FY 2010. This amount consists of:

General Fund	47,449,600
Federal Title XIX Expenditure Authority	183,101,800

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(11,799,300) in FY 2010 for caseload and inflation increases. This amount consists of:

General Fund	53,400
Federal Title XIX Expenditure Authority	(11,852,700)

This amount assumes an increase of 21.0% above actual FY 2009 caseloads. These increases include monies for enrollment growth and medical inflation. The groups covered are the same as the groups covered in the Traditional Fee-For-Service Special Line Item. *(Please see the Fee-For-Service narrative above for more information.)*

Outlier Methodology

The budget includes a decrease of \$(1,024,400) in FY 2010 due to a revision to the outlier payment methodology. This amount consists of:

General Fund	(350,800)
Federal Title XIX Expenditure Authority	(673,600)

Proposition 204 - Medicare Premiums

The budget includes \$33,051,400 for Medicare Premiums expenditures for the Proposition 204 population in FY 2010. This amount consists of:

General Fund	11,318,500
Federal Title XIX Expenditure Authority	21,732,900

These amounts fund the following adjustments:

Formula Growth

The budget includes an increase of \$1,734,500 in FY 2010 for caseload growth and a federal premium increase. This amount consists of:

General Fund	631,000
Federal Title XIX Expenditure Authority	1,103,500

The FY 2010 adjustment would represent an increase of 5.2% above actual caseload levels for FY 2009.

Proposition 204 - County Hold Harmless

The budget includes \$4,825,600 from the General Fund for Proposition 204 County Hold Harmless payments in FY 2010. This amount is unchanged from FY 2009. While not reflected in these estimates, AHCCCS chose to eliminate these payments when allocating its FY 2009 midyear lump sum reduction.

As a result of the implementation of Proposition 204, some counties experienced revenue losses. The amount continues prior year appropriations to hold these counties harmless. The primary recipient of the appropriation is Pima County, which receives \$3,817,800. The remaining \$1,007,800 is allocated among Graham, Greenlee, La Paz, Santa Cruz, and Yavapai Counties.

KidsCare Services

The KidsCare program, also referred to as the Children's Health Insurance Program (CHIP), provides health coverage to children in families with incomes below 200% FPL, but above the levels required for the regular AHCCCS program. The KidsCare program receives Federal Title XXI monies at approximately a 3 to 1 match rate, which is higher than the regular 2 to 1 match in the Title XIX portion of AHCCCS. The Federal Title XXI

monies are deposited into the CHIP Fund, and the CHIP Fund is then appropriated, along with the General Fund match, to fund the KidsCare program. *(Additional funding is also provided for the administration of the KidsCare program in the AHCCCS Administration cost center.)*

KidsCare - Children

The budget includes \$134,516,500 for KidsCare children's services in FY 2010. This amount consists of:

General Fund	30,483,700
CHIP Fund	104,032,800

These amounts fund the following adjustments:

Formula Growth

The budget includes a decrease of \$(10,751,200) in FY 2010 for caseload growth and inflation. This amount consists of:

General Fund	(2,513,100)
CHIP Fund	(8,238,100)

These amounts provide enrollment growth of approximately 4,806 members, or 9% from June 2009 to June 2010. Although enrollment is expected to grow from June 2009 to June 2010, the FY 2010 budget includes a reduction in expenditures due to FY 2009 caseloads being significantly below the FY 2009 appropriation. Total enrollment in June 2010 is expected to reach approximately 58,211. As of June 2009, approximately 53,405 children were enrolled in the program. Additionally, the amount provides capitation rate increases of 1.5%.

The above amounts include an estimate of \$7,300,000 in premiums, which are used to offset the costs of services. Monthly premiums range from \$10 to \$70 depending on household income and the number of children enrolled. The maximum premium is \$70 per month to cover all children in the household.

KidsCare - Parents

The budget includes \$6,967,500 in FY 2010 for KidsCare Parents in FY 2010. This amount consists of:

General Fund	1,670,100
CHIP Fund	5,297,400

These amounts fund the following adjustments:

Program Elimination

The budget includes a decrease of \$(27,933,200) in FY 2010 as a funding reduction to KidsCare - Parents. This amount consists of:

General Fund	(6,666,200)
CHIP Fund	(21,267,000)

These savings should be achieved through statutory changes made in the FY 2010 Health and Welfare BRB, which eliminates KidsCare Parents as of October 1, 2009.

These amounts represent enrollment growth of 0% from June 2009 to September 2009, or 9,223 parents being served each month during this time period. From October 2009 until June 2010, the budget assumes that no parents receive services. Since FY 2003, the KidsCare Parents program has provided AHCCCS coverage to parents of children in the KidsCare program, whose incomes are between 100%-200% FPL.

The above amounts include an estimate of \$1,400,000 in premiums, which are used to offset the costs of services. Premiums for this population total 3%-5% of the family's monthly income depending on income level for coverage of all parents and children. In addition, parents pay an enrollment fee of \$15-\$25 per person depending on income to enroll in the KidsCare Parents program. There is no enrollment fee if only children are being enrolled in the program. The premiums are appropriated from the CHIP Fund. These premium payments offset the cost of the program for FY 2010.

Payments to Hospitals

These line items represent payments made directly to hospitals separate from the traditional capitated or fee-for-service system.

Disproportionate Share Payments

The budget includes \$30,350,000 for Disproportionate Share Hospital (DSH) Payments in FY 2010. This amount consists of:

General Fund	8,954,300
Federal Title XIX Expenditure Authority	21,395,700

These amounts fund the following adjustments:

Decreased FMAP

The budget includes an increase of \$32,100 from the General Fund in FY 2010 and a corresponding decrease of \$(32,100) in Federal Expenditure Authority Funds to reflect a technical adjustment in the regular FMAP. Additionally, Laws 2009, 1st Special Session, Chapter 4 eliminated the FY 2009 appropriation for Disproportionate Share Payments. Laws 2009, 1st Regular Session, Chapter 1 subsequently restored the appropriation.

Background – This line item represents supplementary payments to hospitals that serve a large, or

disproportionate, number of low-income patients. The federal basis for payments is either a reflection of a hospital's number of Title XIX inpatient days, or a "low income" utilization rate. States may also establish optional payment categories. Arizona has established optional groups, or "pools," that include county, state, and private hospitals. Table 5 presents the allocation of Disproportionate Share Funding. The changes in FY 2010 reflect the adjustment to the FMAP which requires that increased CPE be shown in order to draw down the same amount of federal funding as last year.

Table 5

Disproportionate Share Hospital Program

	FY 2009	FY 2010
<u>Allocations:</u>		
County-Operated Hospitals (COH)	\$ 85,675,400	\$ 85,675,400 ^{1/}
Supplemental COH payment	4,202,300	4,202,300
Arizona State Hospital (ASH)	28,474,900	28,474,900 ^{2/}
Private Hospitals	<u>26,147,700</u>	<u>26,147,700</u>
Total Allocations	\$144,500,300	\$144,500,300
<u>Revenue:</u>		
County Withholding	\$ -	\$ -
ASH reversion	-	-
Federal DSH to GF (Maricopa)	54,910,300	54,892,300
Federal DSH to GF (ASH)	<u>18,727,900</u>	<u>18,722,200</u>
Total Revenue	\$ 73,638,200	\$ 73,614,500
Less GF Appropriation	(8,950,400)	(8,955,600)
Net GF Impact	64,687,800	64,658,900

^{1/} Includes \$30,668,500 in CPE which draw down federal DSH payments.

^{2/} Includes \$9,763,900 in CPE which draw down federal DSH payments.

The state only appropriates General Fund dollars for DSH payments to private hospitals (\$26,147,700) and monies retained by Maricopa Integrated Health Services (MIHS) (\$4,202,300). Publicly operated hospitals are required to document uncompensated care costs to the federal government through a certified public expenditure (CPE) process. Those CPEs result in the drawdown of Federal Funds, which are then deposited to the state General Fund.

The total Private Hospital allocation consists of 2 pools. The first allocates \$15,150,000 based on private hospitals' level of care provided to Medicaid clients and/or the level of low-income clients served. The second pool allocates \$10,997,700 among private hospitals as compensation for uncompensated care.

Graduate Medical Education

The budget includes \$42,075,300 for Graduate Medical Education (GME) expenditures in FY 2010. This amount consists of:

General Fund	14,470,700
Federal Title XIX Expenditure Authority	27,604,600

These amounts fund the following adjustments:

Statutory Inflation Adjustment

The budget includes an increase of \$1,392,100 in FY 2010 for a statutory inflation adjustment. This amount consists of:

General Fund	475,000
Federal Title XIX Expenditure Authority	917,100

The adjustment reflects a 3.1% yearly increase above the FY 2009 appropriation of \$44,906,200, based on the CMS Hospital Prospective Reimbursement Market Basket, as reported by AHCCCS. This inflation adjustment is required by statute. The additional \$12,000,000 appropriated in FY 2007 for recruiting Arizona physicians and the additional \$8,894,200 appropriated in FY 2008 is not adjusted for inflation.

Decreased FMAP

The budget includes an increase of \$113,400 from the General Fund in FY 2010 and a corresponding decrease of \$(113,400) in Federal Expenditure Authority Funds to reflect a technical adjustment in the regular FMAP.

Restore FY 2009 Shift

The budget includes a decrease of \$(26,100) from the General Fund in FY 2010 and a corresponding increase of \$26,100 in Federal Expenditure Authority Funds to restore changes that the agency made during their midyear revisions.

Continue Graduate Medical Education Decrease

The budget continues a \$(4,249,100) decrease originally approved in the midyear FY 2009 revisions. This amount consists of:

General Fund	(1,440,800)
Federal Title XIX Expenditure Authority	(2,808,300)

Initially the midyear FY 2009 revisions eliminated \$20,517,000 for Graduate Medical Education (Laws 2009, 1st Special Session, Chapter 1). A March 2009 bill (Laws 2009, 1st Regular Session, Chapter 1) restored \$16,294,000 for this line item.

Background – The GME program reimburses hospitals with graduate medical education programs for the additional costs of treating AHCCCS members with graduate medical students. Top priority is given to hospitals with GME programs established before July 1, 2006 that do not currently receive GME funding for those programs. The second priority for these monies is for expansion of GME programs established before October 1, 1999. The third priority is for GME programs established after July 1, 2006.

Critical Access Hospitals

The budget includes \$1,700,000 for Critical Access Hospitals in FY 2010. This amount consists of:

General Fund	582,300
Federal Title XIX Expenditure Authority	1,117,700

These amounts fund the following adjustments:

Decreased FMAP

The budget includes an increase of \$2,200 from the General Fund in FY 2010 and a corresponding decrease of \$(2,200) in Federal Expenditure Authority Funds to reflect a technical adjustment in the regular FMAP.

The Critical Access Hospitals program provides increased reimbursement to small rural hospitals that are federally designated as critical access hospitals. In FY 2008, 10 hospitals qualified for funding under this program.

Rural Hospital Reimbursement

The budget includes \$12,158,100 for Rural Hospital Reimbursement payments in FY 2010. This amount consists of:

General Fund	4,163,500
Federal Title XIX Expenditure Authority	7,994,600

These amounts fund the following adjustments:

Lump Sum Reduction Restoration

The budget includes an increase of \$965,200 from the General Fund in FY 2010 and a corresponding decrease of \$(965,200) in Federal Expenditure Authority Funds to reflect changes made to the line item during the midyear budget revisions.

The original FY 2009 midyear revisions (Laws 2009, 1st Special Session, Chapter 1) included a lump sum reduction of \$(11,631,100) from the General Fund and \$(14,680,100) from Federal Title XIX Expenditure Authority. Of that amount, AHCCCS chose to reduce payments to rural hospitals by \$(3,611,100) from the General Fund and \$(14,450,200) from Federal Title XIX Expenditure Authority. Later, Laws 2009, 1st Regular Session, Chapter 1 added back \$2,500,800 from the General Fund and \$12,158,100 in Title XIX Expenditure Authority for Rural Hospital Reimbursement. AHCCCS also shifted \$145,100 from the General Fund and made a decrease of \$(353,800) from Federal Title XIX Expenditure Authority to this line item. Ultimately, the final FY 2009 total allocation for rural hospitals was consistent with its original appropriation.

Decreased FMAP

The budget includes an increase of \$14,900 from the General Fund in FY 2010 and a corresponding decrease of \$(14,900) in Federal Expenditure Authority Funds to reflect a technical adjustment in the regular FMAP.

The Rural Hospital Reimbursement program, established in FY 2006, increases inpatient reimbursement rates for qualifying rural hospitals.

<i>Lump Sum Reduction and Fund Transfers</i>

Please see agency summary for agencywide lump sum reductions and fund transfers.